

describes when decision makers increase their commitment to a project despite negative information about it. An example is the prospect theory, which suggests that decision makers find the notion of an actual loss more painful than giving up the possibility of a gain.

✉ 7.6 Group Decision Making: How to Work with Others

- Groups make better decisions than most individuals acting alone, though not as good as the best individual acting alone.
- Using a group to make a decision offers five possible advantages: (1) a greater pool of knowledge; (2) different perspectives; (3) intellectual stimulation; (4) better understanding of the reasoning behind the decision; and (5) deeper commitment to the decision.
- It also has four disadvantages: (1) a few people may dominate or intimidate; (2) it will produce groupthink, when group members strive for agreement among themselves for the sake of unanimity and so avoid accurately assessing the decision situation; (3) satisficing; and (4) goal displacement, when the primary goal is subsumed to a secondary goal.
- Some characteristics of groups to be aware of are (1) groups are less efficient, (2) their size affects decision quality, (3) they may be too

confident, and (4) knowledge counts—decision-making accuracy is higher when group members know a lot about the issues.

- Using groups to make decisions generally requires that they reach a consensus, which occurs when members are able to express their opinions and reach agreement to support the final decision.
- Three problem-solving techniques aid in problem solving. (1) Brainstorming is a technique used to help groups generate multiple ideas and alternatives for solving problems. A variant is electronic brainstorming, in which group members use a computer network to generate ideas. (2) The Delphi technique is a group process that uses physically dispersed experts who fill out questionnaires to anonymously generate ideas; the judgments are combined and in effect averaged to achieve a consensus of expert opinion. (3) In computer-aided decision making, decision support systems provide flexible tools for analysis and help managers focus on the future. This kind of computer-based system aims to produce collected information known as business intelligence, gathering data from a wide range of sources in a way that can be interpreted by humans and used to support better business decision making.

Understanding the Chapter: What Do I Know?

1. What are the steps in rational decision making?
2. What are two models of nonrational decision making?
3. What are four ethical questions a manager should ask when evaluating a proposed action to make a decision?
4. Competitors using analytics have what three key attributes?
5. What is Big Data?
6. Describe the four general decision-making styles.
7. Discuss the four ineffective and three effective ways that individuals can respond to a decision situation.
8. Can you name the nine common decision-making biases?
9. What are the advantages and disadvantages of group decision making.
10. What are three group problem-solving techniques?

Management in Action

Companies Use Tracking Devices to Help Make Decisions

Fan Zhang, the owner of Happy Child, a trendy Asian restaurant in downtown Toronto, knows that 170 of his customers went clubbing in November [2013]. He knows that 250 went to the gym that month, and that 216 came in from Yorkville, an

upscale neighborhood. And he gleans this information without his customers' knowledge, or ever asking them a single question.

Mr. Zhang is a client of Turnstyle Solutions Inc., a year-old local company that has placed sensors in about 200 businesses within a 0.7 mile radius in downtown Toronto to track shoppers as they move in the city.

The sensors, each about the size of a deck of cards, follow signals emitted from Wi-Fi-enabled smartphones. That allows them to create portraits of roughly 2 million people's habits as they have gone about their daily lives, traveling from yoga studios to restaurants, to coffee shops, sports stadiums, hotels, and nightclubs.

"Instead of offering a general promotion that may or may not hit a nerve, we can promote specifically to the customer's taste," says Mr. Zhang. He recently emblazoned workout tank-tops with his restaurant's logo, based on the data about his customers' gym visits.

Turnstyle is at the forefront of a movement to track consumers who are continuously broadcasting their location from phones. Other start-ups, such as San Francisco-based Euclid Analytics Inc., use sensors to analyze foot-traffic patterns, largely within an individual retailer's properties, to glean insight about customer behavior.

But Turnstyle is among the few that have begun using the technology more broadly to follow people where they live, work and shop. The company's dense network of sensors can track any phone that has Wi-Fi turned on, enabling the company to build profiles of consumers' lifestyles.

Turnstyle's weekly reports to clients use aggregate numbers and don't include people's names. But the company does collect the names, ages, genders, and social media profiles of some people who log in with Facebook to a free Wi-Fi service that Turnstyle runs at local restaurants and coffee shops, including Happy Child. It uses that information, along with the wider foot traffic data, to come up with dozens of lifestyle categories, including yoga-goers, people who like theater, and hipsters.

A business that knows which sports team is most favored by its clients could offer special promotions on game days, says Turnstyle's 27-year-old founder Chris Gilpin. Czechoski, a local restaurant, hired an 80s-music DJ for Friday nights after learning from Turnstyle that more than 60% of the restaurant's Wi-Fi-enabled customers were over 30.

But as the industry grows in prominence, location trackers are bound to ignite privacy concerns. A company could, for example, track people's visits to specialist doctors or hospitals and sell that data to marketers.

"Locations have meanings," says Eloise Gratton, a privacy lawyer. Marketers can infer that a person has a certain disease from their Internet searches. A geolocation company can actually see the person visiting the doctor, "making the inference that the individual has this disease probably even more accurate," she says. In the U.S., companies don't have to get a consent before collecting and sharing most personal information,

including people's locations. A bill proposed by Minnesota Senator Al Franken would require consent before collecting location data. The U.S. Federal Trade Commission settled its first location privacy case in December, against an app developer that misled consumers into believing their location data wouldn't be sold to marketers.

Even as they covet the data, stores and businesses recognize it is a touchy subject. "It would probably be better not to use this tracking system at all if we had to let people know about it," says Glenna Weddle, the owner of Rac Boutique, a women's clothing store that is a Turnstyle client. "It's not invasive. It might raise alarms for no reason."

Right now, the only way to opt-out of geolocation is to either switch off the Wi-Fi on a cellphone or make a request through a website of one of the data companies (like Turnstyle) that has an opt-out option.

As these companies operate mostly behind the scenes, the nascent industry is keeping a close watch on Google Inc. and Apple. With their Android and iOS mobile operating systems, respectively, Google and Apple know the location of every customer's Wi-Fi-enabled phone—far more location data than any start-up could access. The Silicon Valley giants aren't allowing access to such data by outsiders. Both Google and Apple declined to comment.

Places where people didn't think they were being watched are now repositories for collecting information, says Ryan Calo, assistant professor at the University of Washington School of Law. "Companies are increasingly able to connect between our online and offline lives," he says.

FOR DISCUSSION

1. How do the tracking devices discussed in this case aid in making more rational and intuitive decisions? Explain.
2. Which of the seven evidence-based decision-making implementation principles is consistent with the use of tracking data for making decisions?
3. Use Figure 7.3 to assess the ethical orientation of what is being done by Turnstyle. Is the company behaving ethically?
4. Which of the common decision-making biases are likely to be reduced by using location data to make product promotion decisions?
5. What is your overall opinion about companies collecting and selling tracking data without your consent? Explain.

Source: Excerpted from Elizabeth Dwoskin, "What Secrets Your Phone Is Sharing about You," The Wall Street Journal, January 14, 2014, pp. B1, B4.